

**State Property and Buildings Commission
Meeting**

February 10, 2005

The State Property and Buildings Commission meeting was called to order on Thursday, February 10, 2005 at 10:00 a.m. in Room 264 of the Capitol Annex by John Farris, Chairman. Members present were Mike Alexander, proxy for Governor Ernie Fletcher; David Moss, proxy for Lt. Governor Stephen Pence; John Farris, proxy for Robbie Rudolph, Secretary, Finance and Administration Cabinet; Bonnie Howell, proxy for Attorney General Greg Stumbo; and Warren O. Nash, proxy for Marvin E. Strong, Secretary, Cabinet for Economic Development.

Mr. Farris verified with Commission staff that a quorum was present and that the press had been notified of the meeting. Mr. Farris introduced the first item for business, which was approval of the minutes of the January 31, 2005 meeting. A motion was made by Mr. Nash and seconded by Mr. Alexander to approve the minutes of the January 31, 2005 meeting. Motion **CARRIED**.

Mr. Farris introduced Resolution 2005-04:

A RESOLUTION OF THE STATE PROPERTY AND BUILDINGS COMMISSION OF THE COMMONWEALTH OF KENTUCKY AUTHORIZING AND RATIFYING ACTIONS OF THE COMMISSION STAFF IN THE STRUCTURING, STAFFING, PLANNING AND PREPARATION OF ALL DOCUMENTATION FOR THE ISSUANCE OF CERTAIN BONDS OF THE COMMISSION IN AN AMOUNT NOT TO EXCEED \$210,000,000; AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF REVENUE BONDS FOR THE PURPOSE OF REFUNDING VARIOUS PRIOR ISSUES; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID REVENUE BONDS ARE TO BE ISSUED AND PROVIDING FOR A NEGOTIATED SALE THEREOF; AUTHORIZING AND RATIFYING THE ACTION OF THE STAFF IN PREPARING AND PUBLISHING A PRELIMINARY OFFICIAL STATEMENT FOR THE BONDS; RECITING, ACKNOWLEDGING AND APPROVING THE FILING OF AN APPLICATION BY THE FINANCE AND ADMINISTRATION CABINET OF THE COMMONWEALTH OF KENTUCKY FOR REVENUE BONDS TO REFUND VARIOUS REVENUE BONDS PURSUANT TO SECTION 56.450 OF THE KENTUCKY REVISED STATUTES; AUTHORIZING THE LEASE OF THE PROJECTS TO SUCH CABINET TO PROVIDE REVENUES FOR THE AMORTIZATION OF THE BONDS; DEFINING AND PROVIDING FOR THE RIGHTS OF THE OWNERS OF THE BONDS AND PROVIDING FOR THE APPLICATION OF THE PROCEEDS THEREOF.

F. Thomas Howard, Deputy Executive Director of the Office of Financial Management, informed the Commission that Resolution 2005-04 authorizes approval of State Property and Buildings Commission Project 84 which will refund various series of prior General Fund supported debt including Project 69A, Project 72, Project 74, Project 77 and Project 79. Mr. Howard indicated that the estimated size of the refunding is expected to be in an amount not to exceed \$210,000,000 and is estimated to generate approximately \$9.1 million of present value savings. Mr. Howard stated that a portion of the savings would be recognized in 2005-06 with the bulk of the savings recognized in 2018-22. Mr. Howard further indicated the bulk of the savings would occur longer on the yield curve because of the length of the bonds being refunded. Mr. Howard informed the Commission that the financing team for the transaction would be Wyatt, Tarrant & Combs as bond counsel; Citigroup as underwriter and Peck, Shaffer & Williams as underwriter's counsel. He further indicated that the trustee for the transaction would be selected within the next few days. Mr. Howard continued that the terms of the refunding could be found in Section IV of the bond resolution (copy attached) and outlines the limits that the Commission has set in terms of executing the transaction. Mr. Howard stated that the terms include: the average coupon on the bonds shall not exceed a rate of 5.5 percent; the underwriting spread (amount paid to issue bonds) shall not exceed \$8 per thousand aggregate issued; and the refunding will result in at least 3 percent of present value savings. Mr. Howard indicated that the current market is approximately a 5 percent present value savings, but given the volatility in the market during the last two weeks, the present value savings could fluctuate between 3-5 percent. Mr. Howard stated that staff anticipates completing the offering documents no later than February 22 or February 23. Mr. Howard indicated that this project would be presented to the Capital Projects and Bond Oversight Committee for approval at their February 17, 2005 meeting.

Ms. Howell asked if the \$9.1 million of projected present value savings was based on 3 percent? Mr. Howard indicated the \$9.1 million was based on the current market, which is approximately 5 percent. Mr. Howard indicated that currently the Commonwealth would recognize in this biennial cycle approximately \$3.7 million of cash relief and the balance would be recognized over the term of the bonds.

Mr. Nash asked where the savings would go? Mr. Howard indicated that the savings would be deposited into the General Fund. Mr. Howard indicated that in March 2004 the Commission adopted a resolution approving a refunding for an Agency Fund supported Project 84. Mr. Howard stated that staff continues to evaluate that transaction, but indicated that the savings would be much smaller than the proposed issue. Mr. Howard indicated that if the Commission decided to pursue the Agency Fund supported refunding transaction at a later date, the bond issue would be renumbered accordingly. Mr. Nash stated that two of the issues included in the refunding are only two years old. Mr. Howard stated that was correct and indicated that some of the previously issued bonds were issued at a higher interest rate range and can be refunded at a lower net yield. Mr. Howard indicated the bonds would be non-callable with the exception of an extraordinary tax call. Mr. Howard indicated that staff recommended approval of the resolution.

A motion was made by Mr. Alexander and seconded by Mr. Nash to adopt Resolution 2005-04. Motion Carried and Resolution 2005-04 was **ADOPTED**.

With no further business before the Commission, a motion was made by Ms. Howell and seconded by Mr. Alexander to adjourn the meeting.

Secretary
State Property and Buildings Commission